DOCUMENT RESUME

ED 070 910 AC 014 052

TITLE	Free Enterprise and Government Regulation: Level III, Unit 1, Lesson 1; Social Legislation: Lesson 2; Taxes: Lesson 3. Advanced General Education Program. A High School Self-Study Program.
INSTITUTION	Manpower Administration (DOL), Washington, D. C. Job Corps.
REPORT NO	PM-431-78; PM-431-79; PM-431-80
PUB DATE	Nov 69
NOTE	79p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Academic Education; Achievement Tests; *Autoinstructional Aids; *Course Content; Credit Courses; Economics; Federal Legislation; *General Education; Government Role; *Independent Study; Secondary Grades; Social Welfare; Taxes

ABSTRACT

This self-study program for high-school level contains lessons on: Free Enterprise and Government Regulation; Taxes; and Social Legislation. Each of the lessons concludes with a Mastery Test to be completed by the student. (DB)

ED 070910

PM 431 - 78

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ADVANCED GENERAL EDUCATION PROGRAM

A HIGH SCHOOL SELF-STUDY PROGRAM

FREE ENTERPRISE AND GOVERNMENT REGULATION

LEVEL: III

UNIT: 1

LESSON: 1

AC 014052

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION, JOB CORPS
NOVEMBER 1969

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION, JOB CORPS
NOVEMBER 1969

In earlier economics lessons you learned something about man's economic progress. From simple economies where people worked to produce enough for their basic needs, man developed his technology to the point where machine production was done on a huge scale.

Since the time of the Industrial Revolution, America has become a powerful industrial nation. There are several reasons for America's enormous economic growth. Basic raw materials, such as oil and coal, have always been plentiful. Developments in transportation made it possible to trade widely, both inside the country and with other countries. Also, there was enough labor to keep all the factories in production. Americans moving from farms to cities to get factory jobs were joined by an increasing flow of immigrants. Finally, there was always enough capital for new industries to start and to prosper.

Along with this economic growth came a steady movement toward big businesses. Businesses that were successful grew; often several companies joined together to form an even lar er company.

Large businesses in America began at about the time of the Civil War. The Civil War speeded up the nation's industry, since war requires the full use of a nation's industrial capacity. After the war, America's government leaders were concerned with the problems of reconstructing the reunited nation. They did not pay much attention to the changes that were coming about through the growth of businesses.

There was also another reason that the government did not pay much attention to economic developments. The Constitution did not give the government much power to deal with industrial affairs. It was written for a nation whose main occupations were farming and shipping, and it did not anticipate large business corporations.

Although the Federal government had grown politically strong, there was no similar development in the government's economic role.

So big business just grew. Government did not yet interfere with business, but business began to interfere with the government. Wealthy manufacturers were able to pay off government officials to prevent the passage of any laws harmful to their interests, as had farmers, shipowners, and Civil War veterans groups.

It was time for the United States government to take a more active role in regulating the economic activities of the nation.

Today's economic scene in America is very complex (complicated). Our modern economy is as different from the Industrial Revolution's as the Industrial Revolution was from simple cottage manufacturing farming economies of early times. As big business grew larger and wealthier they grew

in power. Labor unions, too, have also grown larger and increasingly more powerful.

In this progression, you will learn about the role of government in our complex economy.

Time completed _____

1. A man raised crops and a few animals on a few acres of land. Eventually he grew more food than his family needed. He built a small stand and sold vegetables. The stand was so profitable that in two years he had enough money to build a small store. In a crowded city street, an immigrant set up a newspaper and magazine stand. He saved as much money as he could. In a few years he rented a small candy store. He still sold newspapers and magazines but added candy, soda and cigarettes to his stock. The business supported him for twenty-five years. The above are examples of <u>free enterprise</u>. Ask yourself what these stories have in common, then CHECK the best definition of free enterprise: ☐ earning a living ☐ finding jobs ☐ freedom of choice in making a living ☐ starting, running, and owning a business	starting, running, and . . .
2. Many people came to America hoping to make a better living than they had in Europe. America was known as the country where anyone could earn a good living, if he worked hard. Many settlers went west to get land and become farmers. Others went to the cities, and began their own small businesses. America offered "freedom of enterprise" -- the right of any citizen to start his own business and to work for his own success. Which of the following is <u>not</u> an example of free enterprise? ☐ borrowing money to start a chain of restaurants ☐ buying raw materials from lumbermen and selling them to factories ☐ the Ford factory ☐ government-owned business	government-owned business

3. In a free enterprise system, businesses are owned by citizens who sell products or services in hopes of making profits. Under this system businessmen compete with one another to attract customers and earn profits. In other words, businessmen are in <u>competition</u> with other businessmen who offer similar products and services. Competition challenges businessmen to turn out products customers will want, at prices they can afford. An example of two businesses that <u>compete</u> with each other is: ☐ a shoe store and a drug store in the same neighborhood ☐ a television store and a machine shop in the same city ☐ two gas stations across the road from each other	two gas stations across the . . .
4. Joseph Heiter decided to open a small grocery store in a neighborhood which already had a grocery store. Joseph felt that he could compete successfully with the other store. Joseph offered certain popular products at bargain prices. The other store then reduced its prices of the same products. Joseph then offered free parking to his customers who had cars, and free delivery to the customers who did not. He knew that if the <u>competing</u> store offered a better deal to the customers, he would go out of business. This example shows that <u>free competition</u>: ☐ encourages businessmen to offer products to the public at lower prices ☐ encourages businessmen to give their customers better service ☐ allows businessmen to make profits regardless of what their competitors do ☐ forces less efficient businessmen out of the running	. . . public at lower prices . . . customers better service forces less efficient . . .

5. When America was young, the American people believed that the government should not interfere with business. They felt that the government's job was to protect the welfare of individual citizens, but that the people had the right to govern their own personal lives -- including their own economic affairs. So the government worked to maintain law and order, but its policy toward businessmen, farmers, laborers, and consumers was "hands off." This policy is called <u>laissez-faire</u>, which, in French, means, "leave alone." <u>Laissez-faire</u> means that the government: ☐ does not interfere with business ☐ maintains law and order ☐ protects the welfare of its citizens ☐ restricts free enterprise ☐ supervises and controls economic competition	does not interfere with business
6. There was no need for the government to regulate business in the simple society of Smith's or Thomas Jefferson's day. Farmers raised and slaughtered animals for their own use or sold the meat to neighbors. Similarly, everyone who produced anything either consumed it himself, or else sold his products to people he knew. <u>Laissez-faire</u> suited America's needs before the Civil War because: ☐ all producers were simple farmers ☐ businesses were small and the nation's economy was simple ☐ people were more honest than they are today	businesses were small and . . .

7. The laissez-faire concept was originated by Adam Smith, a famous 18th century economist. Smith, who is often called "the father of economics," said that a system of free competition is the best way to develop any economy. He believed that when business is left alone it regulates or takes care of itself. Left alone to grow naturally, businesses have to provide good products at reasonable prices to keep their customers. Adam Smith believed that it is best for businesses to be controlled by: ☐ government rules ☐ men's desire to help one another ☐ natural competition ☐ politicians	natural competition
8. MATCH the following: A. Government protects the welfare of the people. B. Government leaves business alone. C. Government restricts business activities. D. Each citizen has the right to start his own business. E. Each company attracts customers to buy from it instead of from similar companies. 1. _____ free enterprise 2. _____ competition 3. _____ laissez-faire	1. D 2. E 3. B

9.

In America's early days, the government "left business alone" by not restricting its activities or its development. However, the government gave businesses a helping hand by encouraging them to grow. For example, government often gave financial aid to farmers and other businessmen so that they could get a good start.

Under the laissez-faire policy the government followed in America's early days:

- ☐ the government restricted business
- ☐ the government did not restrict business, but aided it
- ☐ the government had nothing whatever to do with the activities of business
- ☐ the government both restricted and aided business

. . . but aided it

10.

When the American economy began to develop after the Civil War, individual businesses grew. Often several of the largest producers of some product joined together to form one enormous company.

The Standard Oil Company was one of the first and most successful large corporations.* From a small start, it came to control most of the oil businesses of Ohio. After five years it joined with other oil companies in other states. Soon Standard Oil consisted of forty oil companies. Since there were hardly any competing oil companies it controlled the supply and sale of nearly all oil. It could also control the price for selling oil at a very high profit. Standard Oil became a monopoly.

A monopoly is:

- ☐ a large business that controls the supply and/or sale of a product
- ☐ any large business
- ☐ several separate businesses that control the supply and sale of some product

Why is a monopoly able to determine the price of the product (or service) it controls?

- ☐ A monopoly does not have to worry about losing customers to competing businesses.
- ☐ A monopoly is wealthy enough not to have to worry about making profits.
- ☐ The consumers can afford to pay any price the monopoly sets.

*A corporation is a company jointly owned by a group of people.

a large business that controls . . .

. . . to competing businesses.

11.

Which of these is an example of a monopoly?

- ☐ A group of milk companies that have joined together to form a huge corporation that controls the supply and price of milk.
- ☐ A large department store that sells many different goods at different prices.
- ☐ A large tobacco company that sells cigarettes for about the same price as its competitors.
- ☐ All the large and small corporations that make up the clothing industry, each one selling at slightly different prices.

A group of milk companies . . . .

12.

When an industry is monopolized, competition just about dies. When this happens consumers have no protection against excessively high prices or against poor quality goods. Small businesses suffer also. With the control of an industry in the hands of a monopoly small businesses are "squeezed out," and other people are discouraged from starting new businesses. Free enterprise is destroyed.

Which of the following would support government regulation of monopolies?

- ☐ consumers
- ☐ the monopolies themselves
- ☐ owners of small and middle-size b
- ☐ people who wanted to start new businesses

consumers

. of small and middle . . .

people who wanted to start . . .

Why is free enterprise destroyed by monopolies?

- ☐ Laissez-faire is destroyed by monopolies.
- ☐ New and smaller companies cannot successfully compete.

New and smaller companies . . . .

13.

As monopolies expanded, many groups complained they were not getting a fair deal. Consumers complained about bad-quality or over-priced goods. Small businessmen felt that big businesses were using unfair methods to drive them out of business. Farmers complained they were being overcharged by the railroads.

People said that the big companies had too much influence over legislators. Whenever a law was proposed to restrict the powers of monopolies, monopoly owners bribed or pressured government officials to prevent the laws from being passed. Americans began to demand government protection against monopolies.

MATCH the following to show how different groups were hurt by monopolies.

A. had to pay high prices for goods

B. given poor quality goods

C. forced out of business by unfair business practices of monopolies

D. governed by legislators who were being bribed and pressured

E. overcharged by railroads

1. _____ small businessmen
2. _____ consumers
3. _____ most American citizens
4. _____ farmers

1. C
2. A, B
3. D
4. E

14. The laissez-faire policy eventually led to: ☐ a better standard of living ☐ concentration of power in the hand of a few big corporations ☐ lower prices and better products ☐ the growth of monopolies ☐ the success of small businesses ☐ the unscrupulous* activities of some manufacturers ☐ lessening of competition *Unscrupulous means unfair, unjust, or unethical.	concentration of power in . . . the growth of monopolies the unscrupulous activities . . .
15. Monopoly owners claimed that the government had no right to interfere with the growth of big businesses because of the 14th Amendment of the Constitution. This amendment contains the "due process" clause which says that no person may be deprived of his right to life, liberty, and property without due process of law -- that is, without being brought to a court trial. This amendment was originally written to make sure that no citizen is denied his rights. However, monopoly owners argued that this clause applied not only to individuals, but to businesses as well. Monopoly owners interpreted the "due process" clause to mean that: ☐ no corporation may be brought to a court trial ☐ no corporation may have its rights taken away by anyone except a court of law ☐ no individual may be deprived of his citizenship	. . . except a court of law

16.

The "due process" clause of the 14th Amendment of the Constitution was interpreted by monopoly owners to mean that:

- ☐ the government has the right to deprive any citizen of his rights
- ☐ the government has the right to regulate business
- ☐ the government does not have the right to restrict the growth of big business

. . . the growth of big business

17.

Despite the objections of monopoly owners, the government finally began to pass laws in an attempt to control monopoly power. The government defended its right to do this by appealing to its Constitutional power to "regulate commerce."

"To regulate" is to make rules.
Commerce means trade -- that is, buying and selling.

"Regulating commerce" means:

- ☐ buying and selling
- ☐ depriving citizens of their Constitutional rights
- ☐ passing laws to control the acitivities of business

passing laws to control . . .

Why did the government feel it had the right to pass a law that restricted business?

- ☐ Congress had always passed laws to regulate business.
- ☐ The "due process" clause of the Constitution gave Congress the right.
- ☐ The Constitution gave Congress the power to regulate commerce.

The Constitution gave . . . .

18. The first law passed to regulate big business was the Interstate Commerce Act. Aimed mainly at railroads, this law regulated railroad shipping rates and required that the rates be open for public inspection. The Interstate Commerce Act was an attempt to prevent: ☐ all businesses from becoming monopolies ☐ railroads from dealing unfairly with their customers ☐ railroads from becoming too large and powerful	railroads from dealing . . .
19. The most important law passed by Congress to regulate big business was the Sherman Anti-trust Act. A "trust" is a monopoly. The "anti" before a word means "against." You can infer that the Sherman Anti-trust Act was a law attempting to: ☐ help big business to grow as large as possible ☐ limit the size and power of businesses ☐ encourage monopolies to charge high prices	limit the size and power . . .

20.

The Sherman Anti-trust Act stated that any contract or agreement that "restrained trade" was illegal. No corporation or group of corporations had the right to unfairly get rid of competition or decide what an industry would produce, how or where it would sell, and what prices it would charge.

The Sherman Anti-trust Act was an attempt to:

- ☐ bring competition back into the American economy
- ☐ get rid of monopolies
- ☐ open all rates to public inspection
- ☐ put a stop to free enterprise
- ☐ put a stop to the economy being controlled by a few large powerful industries
- ☐ regulate railroad shipping rates

bring competition back into . . .

get rid of monopolies

put a stop to the economy . . .

21.

Both the Interstate Commerce Act and the Sherman Anti-trust Act were attempts by the government to:

- ☐ encourage the growth of monopolies
- ☐ regulate big business
- ☐ prevent malpractice* in big business
- ☐ none of the above

regulate big business

prevent malpractice in big . . .

*Malpractice means unscrupulous or unfair actions or practices.

22. The Sherman Anti-trust Act did not succeed in getting rid of monopolies because the government did not enforce it right away. (Enforcing a law means making sure that it is obeyed and punishing people who do not obey it.) The Sherman Anti-trust Act would have been effective if the government had: ☐ enforced it ☐ passed it ☐ obeyed it	enforced it
23. Other laws designed to bring business, especially big business, under some degree of public control were passed since the Sherman Act. Many of these laws were passed under the administrations of Presidents Theodore Roosevelt, Woodrow Wilson, and Herbert Hoover, from the turn-of-the-century to the 1920's. Presidents Theodore Roosevelt, Wilson, and Hoover were in favor of: ☐ an economy controlled by a few giant corporations ☐ government regulation of big business ☐ government ownership of all businesses ☐ laissez-faire	government regulation . . .
24. The passage of laws against monopolies showed that: ☐ the American people did not want an economic system that was controlled by big business ☐ the government had stopped its laissez-faire policy ☐ the government was against any free enterprise	the American people did not . . . the government had stopped . . .

25.

Although there have always been problems in enforcing laws that control monopolies, these laws have not been a failure. Competition in the United States is stronger than in most other countries, and this is partly due to anti-trust laws. Many industries that were once dominated by monopolies now consist of competing businesses.

Also, the existence of anti-trust laws helps to keep big business on its "best behavior." Large corporations today have learned that no matter how rich and powerful they are, they must act in the public interest.

Even though anti-trust laws are not easily enforced, they have had the effect of:

☐ breaking up some monopoly control	breaking up some monopoly . . .
☐ encouraging monopolies to grow	
☐ helping small businesses to operate and compete	helping small businesses . . .
☐ restraining big business from malpractice	restraining big business . . .

26.

Besides anti-trust laws, the American government has passed other laws that affect the economic activities of the nation.

In the 1930's, when 11 million Americans were unemployed,* the government adopted a program to help the people. Loans were made to businessmen and financial aid was given to farmers. Labor was aided by a minimum wage law, a law that required any worker to receive no less than a certain hourly wage. During World War II the government put price controls into effect -- it was illegal to raise the prices of any product people had to have.

These measures show that the American government:

- ☐ has never restricted business in any way
- ☐ has helped businessmen, workers, and consumers — has helped businessmen, . . .
- ☐ has come to play an active role in the economic affairs of the nation — has come to play an active . . .
- ☐ regulates business only through anti-trust laws

*This time of unemployment is called the Depression. You will learn more about the Depression in the next lesson.

27.

A law that makes it illegal to raise the price of milk is intended to help:

- ☐ milk companies
- ☐ farmers
- ☐ consumers

consumers

A law that states any worker must be paid at least $1.25 per hour is intended to help:

- ☐ employers
- ☐ laborers
- ☐ consumers
- ☐ large businesses

laborers

28.

Which of the following are examples of government participation in America's economic activities?

- ☐ anti-trust laws
- ☐ competition
- ☐ draft laws
- ☐ federal aid to small businessmen
- ☐ free enterprise
- ☐ government financial aid to farmers
- ☐ laissez-faire
- ☐ minimum wage laws
- ☐ monopolies
- ☐ price control laws
- ☐ the unrestricted growth of business

anti-trust laws

federal aid to small businessmen

government financial . . .

minimum wage laws

price control laws

29.

Government regulation of business is a controversial issue -- one that many people disagree about. Owners of big growing businesses naturally tend to oppose government restrictions. They feel that the government should not stop them from developing and from making as much profit as they can. They even believe that the government should promote their development.

Which of the following would not be in favor of stronger anti-trust laws?

- ☐ consumers
- ☐ owners of corporations that are part of a monopoly — owners of corporations that . . .
- ☐ owners of large businesses that are becoming larger — owners of large businesses . . .
- ☐ owners of small and middle-size businesses
- ☐ small businessmen who wish to start a new business

30.

Powerful labor unions have been compared to monopolies.

Some people have claimed that when labor unions become too powerful, they are as dangerous to the economy as monopolies, so the government should restrict their power. Management points out that when most workers are union members, they can make unreasonable demands which management is forced to agree to because there is no one else to hire. In this way, unions are able to control the supply and price of labor, in much the same way as ordinary monopolies control the supply and price of products.

Who would be in favor of applying anti-trust laws to unions?

- ☐ owners of corporations — owners of corporations
- ☐ union members
- ☐ both of the above
- ☐ neither of the above

31.

Management attitudes towards anti-trust laws are only one side of the story. The other side is the belief that without government regulation, the consumer and the small businessman will be at the mercy of giant corporations.

Which of the following statements might be made by someone who believes that the government should regulate business?

- ☐ Any businessman has the right to operate his own business and to develop it as much as he can.
- ☐ The average American needs protection against large powerful businesses.
- ☐ If the government does not stop the monopolies, the lack of competition will raise the cost of living too drastically.

The average American . . . .

If the government does not . . . .

32.

Which of the following statements might be made by someone who believed that the government should not interfere in commerce?

- ☐ Because businesses are becoming so large and complex, government controls are needed.
- ☐ Economic activity should be regulated by natural, competitive controls, not by politicians.
- ☐ The government should leave business in the hands of businessmen, who know the most about it.
- ☐ The more power private industries have, the more responsible the government is for protecting the nation from this power.

Economic activity should be . . . .

The government should . . . .

33.

Today the American economy is very different from what it used to be. You have seen that in America's early days, business was hardly touched by Federal government regulation. The government's role in economic life was very small.

Besides regulating business and providing different kinds of financial aid, federal, state and local governments carry on business activities of their own: they spend millions of dollars each year for scientific research and defense; they operate the postal system and run public schools. They own land and property, produce electric power, lend and borrow money, and engage in many other kinds of "businesses" as well.

For this reason, America's economy today has been described as a "mixed" economy -- it includes both private and public enterprises, with the government regulating private enterprises. Most of America's production of goods and services is still carried on by private business. Compared to most other countries, America still offers great opportunities for private enterprise in a system of free competition.

NO RESPONSE NECESSARY

Time completed _____

YOU HAVE NOW FINISHED THE FIRST PART OF THIS LESSON. WRITE DOWN THE TIME. THEN, AFTER YOU HAVE REVIEWED THE MAIN IDEAS IN THE FOLLOWING SUMMARY, TAKE THE MASTERY TEST AT THE END OF THE BOOKLET.

FREE ENTERPRISE	An underlying principle of the American economy is that business should be started, run, and owned by individuals, not by the government.
COMPETITION	Competition occurs when two or more businesses offer similar products or services. Competition leads to lower prices and better services offered to consumers.
LAISSEZ-FAIRE	Laissez-faire is the economic principle that business is best controlled by free competition rather than by the government. In America's early days, under a complete laissez-faire policy, individual businesses grew. Many joined together to form huge companies. As a result, there was less and less competition.
MONOPOLY OR TRUST	A huge business that controls the supply or sale of a product is called a monopoly or trust. Since a monopoly does not have to compete in order to make a profit, it can control the price and quality of its products.
CORPORATION	A company owned by a group of people is called a corporation.
DUE PROCESS CLAUSE	The 14th ammendment to the Constitution contains a passage called the "due process clause" which states that no person may have his rights taken away unless he is given the opportunity to have a court trial.
COMMERCE	Trading; buying and selling
INTERSTATE COMMERCE ACT	A federal law that regulated railroads.
SHERMAN ANTI-TRUST ACT	An act passed to limit monopolies in order to bring competition back to the American economy.
MINIMUM WAGE LAW	A law stating that every worker must receive no less than a certain wage.
PRICE CONTROLS	A measure passed by the federal government during World War II making it illegal to raise the price of any product which people needed. (Example: milk)

MASTERY TEST

Time started _____

1. Laissez-faire is the policy of (CHECK only one):

   a. ☐ a minimum of government interference in business

   b. ☐ eliminating private enterprise

   c. ☐ government ownership and management of business

   d. ☐ placing government restrictions on business

2. Why did the American government begin to exercise control over private economic operations? (CHECK only one)

   a. ☐ Business firms which had become very large were becoming dangerously powerful.

   b. ☐ Business leaders put pressure on state governments to control business activities.

   c. ☐ The "due process" clause of the Constitution gives the government this power.

   d. ☐ The national economy was being hurt by all the small businesses that were operating.

3. Both the Interstate Commerce Act and the Sherman Anti-trust Act were attempts by the government to (CHECK only one):

   a. ☐ aid small businesses

   b. ☐ stop the railroads

   c. ☐ own and operate big businesses

   d. ☐ regulate big business

   e. ☐ stop private enterprise

4. Mr. Smith believes that the government should follow a strict laissez-faire policy. CHECK any of the following he would be in favor of:

a. ☐ anti-trust laws

b. ☐ completely unrestricted competition in business

c. ☐ government management of big business

d. ☐ minimum wage laws

e. ☐ price control laws

f. ☐ the uncontrolled growth of big business

5. Mr. Jones is against laissez-faire. CHECK any statements below that he would agree with.

a. ☐ "If left alone, business will take care of itself and the economy will run smoothly."

b. ☐ "Big businesses should be allowed to grow as large and powerful as they can."

c. ☐ "The government should protect small businessmen from unfair competition by large businesses."

d. ☐ "Government control of business is necessary to prevent unscrupulous business practices."

e. ☐ "If the government does not regulate business, there will be monopolies which will be bad for consumers."

f. ☐ "Business should be regulated by natural competition, not by any political means."

g. ☐ "Our main economic problem is to develop ways of controlling business."

Time completed _____

WHEN YOU HAVE FINISHED THIS TEST, WRITE DOWN THE TIME. THEN TAKE THE LESSON TO YOUR INSTRUCTOR OR HIS ASSISTANT FOR CHECKING. WAIT UNTIL THE LESSON IS APPROVED BEFORE GOING ON TO THE NEXT LESSON.

* U. S. GOVERNMENT PRINTING OFFICE : 1970 O - 369-886

ED 070910

PM 431 - 79

ADVANCED GENERAL EDUCATION PROGRAM

A HIGH SCHOOL SELF-STUDY PROGRAM

SOCIAL LEGISLATION
LEVEL: III
UNIT: 1
LESSON: 2

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION, JOB CORPS
NOVEMBER 1969

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1. PREVIEW FRAME Before the United States became heavily industrialized, the American people believed that the best government was one that interfered least with the lives of its citizens. They felt that the government's role was only to maintain law and order. As America's economy developed, the people came to realize more and more the need for government involvement in the economic activities of the nation. In the last lesson you saw how the government stepped in to regulate private industry and to take a more active role in economic affairs. In this lesson you will learn how and why the government began to play a more active role in taking care of the people's basic needs. NO RESPONSE REQUIRED	GO ON TO THE NEXT FRAME
2. In every society, there are people who cannot provide enough food, medical care, or education to take care of themselves. Social legislation is an attempt to help poor families by passing laws which allow for such necessities as money, food, and medical care, to be provided for them through the government. WRITE an S next to any law that is an example of social legislation. ☐ a law which provides for money to be given to people out of work ☐ a law which provides for Congressmen's salaries ☐ a law which provides for free polio shots for children ☐ a law which provides for parks to be built and kept up by the government ☐ a law which provides for government support of people who are too old to work	. . . provides for money . . . . . . provides for free polio . . . . . . provides for government . . .

3.

There are many reasons that some people do not have enough money to provide for their needs.

One reason is that businesses have their ups-and-downs. That is, sometimes a business makes a lot of money, hires many people, and is able to pay high wages. Sometimes, though, business is bad, so people have to be laid off (fired) or wages have to be lowered.

Which of the following are true?

- ☐ Businesses fire workers only if the workers are not efficient.
- ☐ Businesses sometimes fire workers simply because they cannot afford to employ them.
- ☐ If a business is run or managed well, it can always pay high wages.
- ☐ Even if a business is run well, there are times it cannot pay high wages or keep all its employees working.

. . . simply because they . . .

Even if a business is run . . .

4.

Which of the following is an example of social legislation?

- ☐ a law which says that everyone must pay part of his salary to the government
- ☐ a law which says that people who have been laid off their jobs will be given money every month

. . . people who have been . . .

5. Public health or medical care is one of the many types of social legislation. There are two kinds of medical care: curative and preventive. <u>Curative</u> medical care is given only <u>after</u> someone is ill. It is used to <u>cure</u> illness. <u>Preventive</u> medical care is used to <u>prevent</u> illnesses from occuring. PLACE a <u>C</u> next to examples of curative medicine and a <u>P</u> for examples of preventive medicine: _____ Children with the measles are given medicine to help them get well. _____ Measles vaccines are used to keep children from getting measles. _____ People almost never get polio if they have been given polio vaccines. _____ Tooth decay in children is decreased if the water they drink has fluoride added to it.	 C P P P
6. Curative medicine is given <u>only</u> to those people who are ill. Preventive medicine is given to <u>everybody</u> who <u>might</u> get an illness. Which is given to more people? ☐ curative medicine ☐ preventive medicine Which, then, <u>costs more at first</u>, preventive or curative medicine? _____	 preventive medicine preventive

7.

It often costs much more to cure one person than to prevent several people from becoming ill.

Therefore, using curative medicine alone may cost more in the long run.

Since preventive medicine is needed for so many people, which method for providing it would be sure of reaching everyone?

- ☐ Have the government give preventive medicine free to everyone who needs it.
- ☐ Tell everyone to buy preventive medicine and make sure they do.

Have the government . . .

8.

The term "social legislation", then, refers to laws aimed at helping individual citizens to supply their basic economic needs.

Which of the following would be social legislation?

- ☐ laws about criminal acts
- ☐ laws to regulate the powers of each branch of the government
- ☐ laws to provide economic assistance to needy individuals
- ☐ laws to regulate voting
- ☐ laws to regulate business and prevent monopolies

. . . provide economic . . .

9. Which of the following is the best definition of "social legislation" ? ☐ laws that establish the structure of our government and describe the powers of each of its branches ☐ laws that prescribe punishments or fines for criminal acts ☐ laws that provide for the basic economic needs of individual citizens ☐ laws that regulate the behavior of big business and prevent malpractice and monopolies	laws that provide for the . . .
10. Today the American government provides many kinds of economic aid to its citizens. However, there was a time when the government did not do this and the people did not feel that it should. The attitude that it is <u>not</u> the government's responsibility to provide economic aid to citizens is called Individualism. <u>Individualists</u> believe that it is up to individual citizens to take care of their own needs. WRITE an <u>I</u> for any of the following statements that reflects individualism. WRITE an <u>S</u> beside any statements that imply a belief in social legislation. _____ If a family needs medical care, the government should provide it. _____ You feel better if you earn money yourself, instead of getting it from the government. _____ The government can afford to give free food to everyone who needs it. _____ People in need should be helped by private charities.	S I S I

11.

WRITE "individualism" next to the attitude that best defines it.

_____ It is the government's responsibility to provide for the basic needs of individuals who are unable to do so for themselves.

_____ The government should play an active role in regulating the business affairs of the nation.

_____ Each individual should provide for his own economic needs as best he can; this is not the job of the government.

individualism

12.

From the time America became an industrial nation until the end of the 1920's, the nation was developing toward increasing prosperity.

During most of the decade* of the 1920's, business was good. Most Americans were earning a good living. Businesses were earning large profits. Most individuals were economically secure, -- that is, they were able to provide for their basic needs.

Because the American people were confident that they could take care of themselves, they did not feel that there was any need for social legislation.

CHECK the statement that best describes the attitude of most Americans toward social legislation during the 1920's.

- ☐ They were in favor of individualism because they were economically secure.
- ☐ They were in favor of social legislation because they were able to provide for their own needs.
- ☐ They were opposed to individualism because of increasing business prosperity.

*A decade is a ten-year period.

. . . of individualism . . .

13.

In 1929 business suddenly went bad. Businesses could no longer afford to employ many workers.

In the next several years, unemployment grew so high that the average American could not afford to buy much. As a result, producers had no market for their products. Many companies went out of business. During the worst part of this disaster, one out of every four workers was unemployed. Many Americans were going hungry; human suffering was wide-spread.

This period of American history is called the economic depression.

CHECK the statements that accurately describe conditions during the time of the depression.

- ☐ The nation was prosperous.
- ☐ Many people were out of work.
- ☐ Most businesses were earning large profits.
- ☐ Many businesses were not earning any profits.
- ☐ Many Americans could not earn a living.

Many people were out of work.

Many businesses were not . . .

Many Americans could not . . .

14.

From 1929 until 1935, conditions became worse. It was clear that the policy of individualism was not working. The American economy could not get back on its feet without help. Americans began looking to the government for aid in taking care of thousands of needy people.

Which of the following statements correctly describes the effect the depression had on the American attitude toward social legislation?

- ☐ It strengthened the belief in "rugged individualism."
- ☐ It made the people realize that the government was best able to protect the welfare* of the individual.
- ☐ It caused more people to believe that the government should not interfere with the private lives of individuals.

*Welfare means "well-being".

It made the people realize . . .

15.

What happened to the American economy in 1929?

- ☐ It changed from depression to prosperity.
- ☐ It changed from prosperity to depression.
- ☐ The prosperity of the 1920's continued.
- ☐ The depression of the 1920's continued.

. . . prosperity to depression.

During the 1930's, what happened to public opinion about social legislation?

- ☐ It changed from opposition to support.
- ☐ It changed from support to opposition.
- ☐ It changed from opposition to not caring.
- ☐ It remained exactly the same.

. . . opposition to support.

Which of the following was the major cause of this change in public opinion?

- ☐ the prosperity of the nation
- ☐ the efforts of workers
- ☐ the depression
- ☐ the efforts of businessmen

the depression

16.

The change in American attitude is reflected in the social legislation passed during and after the depression. In 1935 the government passed the first social legislation measure, the Social Security Act. This law had several parts. The next few frames will discuss the most important parts.

The name of the first social legislation, "the Social Security Act," suggests that this law is aimed at:

- ☐ helping people who could no longer take care of themselves
- ☐ helping people to be more relaxed in social situations
- ☐ providing for the political security of the government

helping people who could . . .

17.

The Social Security Act provided that people be supported in their old age. When a worker reaches the age of 65 he can stop working and live on money sent each month to him from the government. The money comes from contributions made partly by the worker and partly by his employer.

Before Social Security, people who had not saved enough money for their old age had to depend on others for support. Old people with no one to support them had to live in state institutions for the poor.

The Social Security Act's provision for the aged reflects the belief that:

- ☐ it is the government's responsibility to care for the aged
- ☐ it is each citizen's responsibility to provide for his old age
- ☐ it is the responsibility for rich citizens to provide for poor people who have reached the age of 65

. . . government's . . .

18.

The Social Security Act also provides for workers to receive money from the government to support them when they are temporarily unemployed. To pay for this aid, all employers are required to pay a tax.

Another part of the Social Security program is financial aid for people who cannot work because of a physical handicap.

Which of the following would be eligible for Social Security aid?

- ☐ a carpenter who is working and earning a good living
- ☐ a truck driver who is too old to continue working — a truck driver wh: . . .
- ☐ a salesman who has been laid off from his job — a salesman who has . . .
- ☐ an owner of a successful gas station
- ☐ a pilot who cannot work because of a heart condition — a pilot who cannot work . . .

19.

Another part of the Social Security program is "Aid to Dependent Children" (ADC). Under ADC, the Federal government is to provide money for children who do not have anyone to support or care for them adequately.

In this context, the word "dependent" means:

- ☐ supported by relatives
- ☐ in need of support — in need of support
- ☐ self-supporting

20.

Under the ADC (Aid to Dependent Children) program, the Federal government gives money to the states. Most states were already helping to support needy children. This added assistance from the Federal government enables the states to help more children than they could before. It has also enabled them to give more money to each child than before.

As a result of the ADC program, the states could give:

- ☐ assistance to all children
- ☐ more assistance to each child
- ☐ assistance to more children

more assistance to each child
assistance to more children

ADC is:

- ☐ a new type of assistance begun by the Federal government
- ☐ a program that is run and financed entirely by states
- ☐ a type of assistance already offered by many states and expanded by the Federal government
- ☐ a type of assistance offered first by the Federal government and later expanded by the states

. . . offered by many states . . .

21.

The Social Security Act includes provisions for aid to:

- ☐ all employers
- ☐ old people
- ☐ needy children
- ☐ unemployed persons
- ☐ physically handicapped people

old people
needy children
unemployed persons
physically handicapped people

The effects of the entire Social Security Act were to:

- ☐ open up new programs of assistance for the needy

open up new programs . . .

- ☐ expand already existing programs for the needy

expand already existing . . .

- ☐ end all programs to aid the needy

22.

INFORMATION FRAME

Since the Social Security Act was passed, many other kinds of social legislation have been put into operation. The government carries on programs to promote slum clearance and to provide public housing, parks, and playgrounds. It provides some free or low-cost medical care. It provides for public education and gives aid to deserving students to continue on to higher education. It lends citizens money to buy homes, to go into business, or to expand the businesses they have.

The government today is using its Constitutional powers to "promote the general welfare." It is concerned with encouraging the development of American prosperity by providing more aid and services to the American people.

NO RESPONSE REQUIRED

GO ON TO THE NEXT FRAME

23.

Social legislation has become a standard part of the services the government provides. However, some Americans are opposed to it, while others are in favor of it.

Those in favor of it say that the various welfare programs in effect today help the nation as a whole. By giving financial help to people who lack enough money, such programs enable these people to buy things they could not have bought otherwise. The government money they spend goes into circulation, since it is given to businessmen they buy from. In this way, social legislation aids the entire economy.

When money is put "into circulation," it is:

- ☐ wasted
- ☐ passed from person to person
- ☐ destroyed

passed from person to person

Why do some people believe that social legislation helps the economy as a whole?

- ☐ The government gives the money directly to businessmen.
- ☐ It helps individuals who need it.
- ☐ Money spent by the government returns to circulation

It helps individuals who need it.

Money spent by the . . . .

PANEL 1

ARGUMENTS FOR AND AGAINST SOCIAL LEGISLATION

FOR

1. Social legislation programs help the entire national economy.

2. Anything the government can do to prevent human suffering and to give greater economic security to the average individual is desirable.

AGAINST

1. Social legislation costs the government money. This money has to come from taxes.

2. Social legislation makes people dependent on the government instead of relying on their own hard work and ability.

3. Certain services, particularly medical care, can be better provided by individuals.

   a. A complete medical program ("socialized medicine") would be unfair to doctors, since they can earn more money privately than through the government.

24.

STUDY PANEL 1, then answer the questions below.

Mr. Jones is <u>against</u> all forms of social legislation. CHECK any statement he might make to support his opinion.

- ☐ People who work hard to earn money should not have to pay to support people who are not willing, in many cases, to make an honest effort to take care of themselves.
- ☐ The Constitution gives Congress the power to "promote the general welfare" by levying taxes. The government should use this power to see to it that every American has a decent standard of living.
- ☐ Federal spending should be decreased.
- ☐ Free medical care would ruin the medical profession.

People who work hard . . . .

Federal spending . . . .

Free medical care . . . .

25.

READ 3a on the right side of Panel 1. Then answer the question below.

Socialized medicine would probably include:

- ☐ preventive medicine only
- ☐ curative medicine only
- ☐ both preventive medicine and curative medicine

both preventive medicine . . .

26.

REFER TO PANEL 1, then answer the question below.

Mr. Green is in favor of social legislation. CHECK any statement he might make to support his opinion.

- ☐ Social legislation costs the government too much money.
- ☐ Social legislation aids the entire economy.
- ☐ Socialized medicine would lead to inadequate medical care.
- ☐ Each individual should get only the services and goods he can afford to pay for.
- ☐ The government should not get involved in activities that can be handled better by private individuals.
- ☐ The government should share responsibility for the food, housing, health, and education of its citizens.

. . . aids the entire economy.

. . . education of its citizens.

27.

WRITE either S or I after each statement below to show whether it is an argument for social legislation or for individualism.

_____	Social legislation encourages people not to work.	I
_____	It is the government's obligation to take care of its citizens.	S
_____	Taxes should be lowered.	I
_____	Social legislation puts more money into circulation, and this helps the entire nation.	S
_____	Everyone should have only the things he can afford to buy without help.	I
_____	Many people would like to work, but there are not always enough jobs around. They are prevented from earning money because the society does not provide enough jobs.	S

Time completed _____

YOU HAVE NOW FINISHED THE FIRST PART OF THIS LESSON. WRITE DOWN THE TIME. THEN, AFTER YOU HAVE REVIEWED THE MAIN IDEAS IN THE FOLLOWING SUMMARY, TAKE THE MASTERY TEST AT THE END OF THE BOOKLET.

SOCIAL LEGISLATION	Laws to provide economic aid (such as money, food, and medical care) to individual citizens who need it.
PREVENTIVE MEDICAL CARE & CURATIVE MEDICAL CARE	Preventive medical care is given to prevent illness from occurring. Provisions made by the government to give preventive medicine to everyone who needs it would be an example of social legislation. Curative medical care is given to people after they are ill in order to cure them. Because preventive medical care keeps people healthier, there is less need for curative medical treatments which are often expensive. Although a wide spread government program of preventive medical aid would be very costly at first, it would be more economical in the long run.
INDIVIDUALISM	Many people feel that individual citizens, not government, should take care of their own economic needs. This attitude is called "individualism." People who believe in individualism are usually opposed to social legislation.
THE DEPRESSION	The Depression was a period in American history beginning in 1929 when business went bad and there was widespread unemployment. As a result of the Depression, American people came to see the need for social legislation.
SOCIAL SECURITY ACT OF 1935	This law was the first social legislation passed in America. It provides financial aid to elderly people who can no longer work and to people of working age who are out of work. Part of the Social Security Act is the Aid to Dependent Children program, which provides financial aid to needy children. The ADC gives money to the states. The states add this federal money to their own funds and distribute it to needy children.

MASTERY TEST

Time started _____

1. CHECK the <u>one</u> best definition of "social legislation":

   a. ☐ laws that establish the structure of our government and describe the power of each of its branches

   b. ☐ laws that describe punishments or fines for criminal acts

   c. ☐ laws that protect the economic security of individuals

   d. ☐ laws that regulate the behavior of big business

2. Examples of social legislation are laws that:

   a. ☐ prohibit theft

   b. ☐ provide programs of widespread preventive medicine

   c. ☐ provide for financial aid for old people

   d. ☐ provide money to the states for needy children

   e. ☐ state how the government should be set up

   f. ☐ provide money for people out of work

3. Social legislation reflects the belief that (CHECK one):

   a. ☐ each individual can provide for his own needs

   b. ☐ each individual ought to provide for his own needs

   c. ☐ the government should help to provide for the basic needs of individual citizens

   d. ☐ the government should not interfere in social problems of individual citizens

   e. ☐ the public interest is best served by private individuals

4. CHECK the statement that most accurately describes the public attitude toward social legislation early in the 1930's.

a. ☐ It changed from believing in individualism to wanting social legislation because of the depression.

b. ☐ It changed from favoring individualism to believing in social legislation because of increasing prosperity.

c. ☐ It changed from wanting social legislation to favoring individualism because of increased prosperity in America.

d. ☐ It cnanged from wanting social legislation to favoring individualism because of increasing taxes.

e. ☐ It remained exactly the same as it had been in the 1920's.

5. CHECK <u>any</u> statement that is true.

a. ☐ Most states objected to the federal program of aid for dependent children.

b. ☐ The ADC program was a part of the Social Security Act.

c. ☐ The ADC was a type of assistance offered by many states and expanded by the Federal government.

d. ☐ The Federal Social Security Act provided for a program of financial aid for people out of work and people too old to work.

e. ☐ The Social Security Act made it possible for more people to receive government aid, and for more money to be given to each person receiving aid.

f. ☐ Under the ADC, the Federal government gives money to the states for needy children.

6. Mr. Smith does <u>not</u> believe in social legislation. Which one or more of the following statements would he make to support his opinion?

a. ☐ Federal spending should be decreased.

b. ☐ Our rich country should guarantee to all citizens a decent standard of living.

c. ☐ People who work hard to earn their money should not have to pay to support people who cannot care for themselves.

d. ☐ Socialized medicine would benefit all Americans.

e. ☐ Tax money should be used to provide medical care for all citizens.

f. ☐ The government should share the responsibility for the housing, health, and education of its children.

g. ☐ The government should use its Constitutional power to "promote the general welfare."

h. ☐ Social legislation boosts the economy by putting more money into circulation.

Time completed _____

WHEN YOU HAVE FINISHED THIS TEST, WRITE DOWN THE TIME. THEN TAKE THE LESSON TO YOUR INSTRUCTOR OR HIS ASSISTANT FOR CHECKING. WAIT UNTIL THE LESSON IS APPROVED BEFORE GOING ON TO THE NEXT LESSON.

* U. S. GOVERNMENT PRINTING OFFICE : 1970 O - 163-887

ED 070910

PM 431 - 80

ADVANCED GENERAL EDUCATION PROGRAM

A HIGH SCHOOL SELF-STUDY PROGRAM

TAXES
LEVEL: III
UNIT: 1
LESSON: 3

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION, JOB CORPS
NOVEMBER 1969

U.S. DEPARTMENT OF LABOR
MANPOWER ADMINISTRATION, JOB CORPS
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1. In previous lessons, you have learned about numerous government programs, such as social security, Aid to Dependent Children, and various economic aid programs for businesses. To provide such services to the citizens of the country, the United States government and state and local governments need large sums of money. In this lesson, you will learn where these governments get these funds. NO RESPONSE REQUIRED	GO ON TO THE NEXT FRAME
2. To provide aid and services to the people, a government needs money. The money collected by a government for these purposes is called <u>revenue</u>. Which government would have to collect the <u>most</u> revenue to pay for what it does? ☐ one that only maintained law and order ☐ one that maintained law and order and provided aid to businesses, but left social welfare up to private charities ☐ one that maintained law and order <u>and</u> provided both economic aid to businesses and welfare aid to the citizens	one that maintained law and . . .

3. The money collected by a government for public use is called <u>revenue</u>. Which of the following is <u>not</u> revenue? ☐ money paid to the government in taxes ☐ money received by the government from road tolls* ☐ money received in salaries by government officials *A <u>road toll</u> is a fee charged for the use of a highway.	money received in salaries . . .
4. CHECK the examples of <u>revenue</u>: ☐ the money collected by the government in court fines ☐ the money received by the government from collection of road tolls ☐ the President's salary ☐ the tax money that is paid to the government	the money collected by . . . the money received by . . . the tax money that is paid . . .
5. The government gets its revenue in several ways. For example, the government collects court fines and road tolls to help raise money. However, the principal* source of funds is the collection of taxes. *<u>Principal</u> means main. NO RESPONSE REQUIRED	GO ON TO THE NEXT FRAME

6. When we say that the government's principal source of revenue is taxes, we mean that: ☐ court fines and road tolls provide more of the government's money than taxes do ☐ most of the government's money comes from the collection of taxes ☐ the only way the government gets money is from taxes	most of the government's . . .
7. What is the principal source of revenue for the United States government? _____	taxes
8. Ross Sherwood lives in Chicago. He paid $100 more in federal and state tax this year than he did last year because he earned more money. Phyllis Hiawatha bought a watch in Florida and had to pay a state tax on it. Jordon Gordon had to pay a $500.00 tax to the city of Houston because he owned a large ranch there. These examples show that in the United States, taxes are collected by: ☐ the federal government only ☐ state governments only ☐ local governments only ☐ federal, state, and local governments	federal, state, and local . . .

9. Which of the following governments in the United States collects taxes? ☐ federal ☐ local ☐ state ☐ all of the above ☐ none of the above	all of the above
10. Governments in the United States collect many different types of taxes. In the frames that follow, you will learn about the most important taxes: • poll taxes • inheritance taxes • property taxes • sales taxes • income taxes NO RESPONSE REQUIRED	GO ON TO THE NEXT FRAME

11.

A poll* tax is a tax paid by citizens wanting to vote.

An inheritance** tax is a tax paid on money or valuables that have been inherited.

A property tax is a tax paid on certain things people own such as land, houses, etc.

A sales tax is a tax paid on goods purchased.

An income tax is a tax paid on wages earned.

After each of the following, WRITE the name of the tax described.

A tax charged on sweaters that are bought in a store. _____ sales

A tax on a carpenter's salary. _____ income

A tax paid by a registered voter. _____ poll

A tax paid by a woman whose grandmother has died and left her $50,000. _____ inheritance

A tax paid by the owner of a large farm. _____ property

*A poll is the place where citizens vote.

**An inheritance is money or objects left to someone by someone that has died.

12.

Many states collect a tax from citizens of voting age. This type of tax is used to buy voting machines, and to pay the officials who make sure that the voting is honest. This tax is called a poll tax.

From the information given above, you can infer that the word "poll" has to do with:

- ☐ becoming a citizen
- ☐ going fishing
- ☐ paying taxes
- ☐ voting

voting

What do the states do with the money from poll taxes?

- ☐ They divide it among all the citizens who are eligible to vote.
- ☐ They give it to the Federal government.
- ☐ They give it to the people who win the elections.
- ☐ They use it to help pay the cost of elections.

They use it to help pay the . . .

13.

Many states used to have another kind of poll tax -- a fee that the state required every citizen to pay before he could vote in an election. It prevented some people from voting because they could not afford to pay it. Because the Constitution gives every citizen the right to vote, this kind of poll tax has been declared unconstitutional.

Which branch of the government would have declared this kind of poll tax to be illegal?

- ☐ executive
- ☐ judicial
- ☐ legislative

judicial

14.

When a person dies, his money and his possessions are left to someone else. The valuables that someone gets in this way are called an inheritance.

To "inherit" means:

- ☐ to die
- ☐ to give valuables away before you die
- ☐ to pay a tax
- ☐ to receive valuables from someone who has died

to receive valuables from . . .

15.

When a person receives valuables from someone who has died, the state government collects a certain percentage of the value of the inheritance. This charge is called an inheritance tax.

Who has to pay inheritance taxes?

- ☐ all citizens of voting age
- ☐ all people who have died
- ☐ people who leave an inheritance to someone else
- ☐ people who receive an inheritance from someone else

people who receive an . . .

16.

What is the tax paid by citizens to cover the cost of voting?

- ☐ inheritance tax
- ☐ poll tax

poll tax

17.

One of the most widely used forms of taxation is the property tax. Taxable property includes such things as cars, houses, and land. Small things of little value, such as shoes, and pots and pans are not considered taxable property. The amount of property tax a person pays depends on the value of what he owns.

All of the following people live in Carter City, where the property tax is 5% a year. Which of them would pay the highest property tax?

- ☐ David Longfellow owns a ranch valued at $35,000.
- ☐ Michael Frank owns $20,000 worth of livestock. His other possessions are valued at $7,000.
- ☐ Freida Gardiner owns a $2,000 car and fur and jewels valued at $3,000.

David Longfellow owns . . .

18.

MATCH the following:

A. Mr. Bernard died, leaving his children $10,000. His children each had to pay the government part of the money left to them.

B. Mr. Cornell had to pay his local government $132 because he owned land worth several thousand dollars.

C. Mr. Davis, like all citizens of voting age in his state, was charged a fee of $2.00 to help cover the state's election expenses.

1. _____ inheritance tax
2. _____ poll tax
3. _____ property tax

1. A
2. C
3. B

19.

One tax familiar to everyone is the sales tax. The sales tax is a tax on products people buy. In most states, food is not taxed, although the cost of a meal in a restaurant may be taxed.

On which of the following would you probably be required to pay a sales tax in most states?

- ☐ a motorcycle
- ☐ a quart of milk
- ☐ a suit
- ☐ the services of a plumber
- ☐ a visit to a doctor

a motorcycle

a suit

20.

MATCH the following:

A. a tax charged on a person's possessions

B. a tax charged on possessions left to someone by a person who has died

C. a tax charged to all citizens of voting age

D. a tax designed to help cover the costs of elections

E. a tax on most goods purchased

1. _____ inheritance tax
2. _____ poll tax
3. _____ property tax
4. _____ sales tax

1. B
2. C, D
3. A
4. E

21.

If you have ever had a job, even a part-time job, you have probably paid an <u>income tax.</u>

An income tax is applied by the Federal government to the earnings of an individual or a corporation. Many states and a few cities also charge an income tax.

The word "income" means:

- ☐ a job
- ☐ taxes
- ☐ the money an individual or business earns
- ☐ the money an individual or business spends

. . . earns

CHECK each of the following which are examples of income taxes:

- ☐ Mr. Crawford has $2.89 in state taxes taken out of every week's pay.

Mr. Crawford has . . .

- ☐ Mr. Flagg owns a grocery store. Every year a certain percentage of his profits goes to the Federal government in taxes.

Mr. Flagg owns a grocery . . .

- ☐ Mr. Hornby is taxed $58 for valuable items left to him at his father's death.
- ☐ Mr. Longman has to pay 18% of his paycheck to the Federal government.

Mr. Longman has to pay . . .

- ☐ Mr. Perry owns fourteen acres of land, for which he must pay the state $300 in taxes yearly.
- ☐ The General Clothing factory must give the government a certain percentage of its annual profits.

The General Clothing . . .

22.

An income tax is a tax that applies to the earnings of:

- ☐ businesses
- ☐ governments
- ☐ individuals

businesses

individuals

23.

MAIN SOURCES OF TAX REVENUE

Federal Taxes | State Taxes | Local Taxes

(shaded areas are other taxes)

Using the information presented in the graphs above, complete the following statements:

The main source of tax revenue for the Federal government is the _____ tax. — income

State governments get most of their money from the _____ tax. — sales

The property tax provides the main source of revenue for _____ governments. — local

Local governments get most of their revenue from _____ tax. — property

24.

The main source of revenue for the Federal government is a tax on people's earnings. The main source of revenue for the State government is a tax on goods purchased. Local governments are supported mainly by revenue collected on private property.

COMPLETE the table below, choosing the right tax from this list:

- income tax
- inheritance tax
- poll tax
- property tax
- sales tax

LEVEL OF GOVERNMENT	MAIN SOURCE OF TAX REVENUE
Federal	_____
State	_____
Local	_____

income tax

sales tax

property tax

25.

MATCH the following to show which tax provides the main source of revenue for each level of government.

A. income tax

B. property tax

C. sales tax

1. _____ Federal
2. _____ Local
3. _____ State

1. A
2. B
3. C

26.

PREVIEW FRAME

Now that you are familiar with some of the most important kinds of taxes, let's take a closer look at what is perhaps the most controversial* of all taxes: the income tax.

The next few frames will deal with the theory behind our present income tax system and why some people are opposed to it.

*A controversy is an argument. Thus a controversial issue is one about which people have different opinions.

NO RESPONSE REQUIRED

GO ON TO THE NEXT FRAME

27.

The present United States income tax system is based on the "ability to pay" principle. That is, wealthy people and businesses should pay more money in taxes because they can better afford it.

This principle is put into practice by charging a higher tax rate on higher incomes. For example, if a person earns $2,000 a year, he has to pay about 14% of his earnings as income tax. However, if a person earns over $200,000 a year, he has to pay 70% of his earnings as income tax.

Who will pay the largest percentage of his earnings in income tax?

- ☐ a plumber earning $8,000 a year
- ☐ a secretary earning $6,500 a year
- ☐ a teacher earning $5,000 a year
- ☐ a truck driver earning $11,000 a year

a truck driver earning . . .

The government takes a greater percentage of high incomes than it does of low incomes because the people feel that:

- ☐ all Americans should be taxed equally, regardless of how rich or poor they are
- ☐ citizens should be taxed on the basis of their ability to pay taxes
- ☐ all workers should have the same amount of money

citizens should be taxed . . .

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28.

An income tax system where the tax rate increases as the income increases is called a progressive or graduated tax.

Here are three more examples of how a progressive or graduated income tax works:

John Jones makes $3,000 a year; he is taxed at the rate of 20%, so that he pays $600 in taxes.

Fred Finder earns $10,000 a year; he is taxed at the rate of 30%, so that he pays $3,000 in taxes.

Harold Harbringer earns $100,000 a year; he is taxed at the rate of 60%, so that he pays $60,000 in taxes.

These examples show that with a progressive or graduated income tax system, the person with a larger income:

- ☐ pays more, but the tax is a smaller percentage of his income
- ☐ not only pays more money in taxes, but also pays a larger percentage of his income in taxes
- ☐ pays less money in taxes as well as a smaller percentage of his income

not only pays more money . . .

29.

Which of the following would be most opposed to a graduated or progressive income tax?

- ☐ the owners of a huge corporation making a million dollars every year in profits
- ☐ the owner of a little grocery store which makes $5,000 a year in profits
- ☐ the owners of a pill factory which makes $20,000 a year in profits

the owners of a huge . . .

30.

A graduated or progressive income tax is based on the principle that:

- ☐ all citizens should pay equal taxes
- ☐ college graduates should pay higher taxes than other people
- ☐ corporations and individuals should be taxed equally
- ☐ the more a person earns, the higher his tax rate should be

the more a person earns . . .

31.

Which of the following describe the present income tax system in the United States?

- ☐ equal
- ☐ graduated
- ☐ progressive
- ☐ all of the above

graduated
progressive

Who pays personal income taxes?

- ☐ individuals only
- ☐ corporations only
- ☐ both individuals and corporations

individuals only

Who pays profit income taxes?

- ☐ individuals only
- ☐ corporations only
- ☐ both individuals and corporations

corporations only

32.

Many people believe that our present income tax rates are too high. When an individual or a corporation earns a great deal of money, most of it goes to the government, they say. So why should anyone work hard trying to earn more money?

These people also argue that, for the same reason, corporations might lose interest in expanding, since most of their additional profits would have to be turned over to the government.

In short, many people are opposed to high tax rates because they feel that high taxes:

- ☐ may interfere with the development of the nation's economy — may interfere with the . . .
- ☐ prevent business leaders from getting sufficient rewards for their efforts — prevent business leaders . . .
- ☐ prevent corporations from earning profits
- ☐ prevent individuals from earning a living

33.

Many other people, however, feel that our present income tax rates are not too high. They point out that the Federal government provides many services for the people.

For example, the government pays the costs of defense, provides economic and welfare aid, and supports education. All these activities cost money. Since most of the Federal government's revenue comes from the income tax, reduced taxes would result in reduced government services.

People who are in favor of our present income tax rates believe that:

- ☐ the government needs high tax revenues in order to provide services — the government needs high tax . . .
- ☐ the government ought to be able to provide services at a lower cost
- ☐ the government should not provide so many public services

34.

Which one or more of the following statements would be made by someone who feels that corporate income taxes should be lowered?

☐ High taxes discourage the development of business.	High taxes discourage . . .
☐ High taxes make it possible for the government to provide many economic and social services.	
☐ High taxes make our business leaders feel that their efforts don't give them sufficient rewards.	High taxes make our . . .

35.

Which one or more of the following statements would be made by someone who feels that personal income taxes are not too high?

☐ If income taxes were lowered, the government could not continue to provide all the services it does.	. . . could not continue . . .
☐ If taxes were lowered, the government could not carry out as many social legislation programs to help needy citizens.	. . . could not carry out . . .
☐ If taxes were lowered, businessmen would be better off because they could keep a greater percentage of the profits they earn.	

36. Whether or not tax rates are changed, the amount of revenue collected through income tax varies from year to year. The total income tax collected each year depends on the amount of business activity in the nation. In other words, when businesses do well they earn more and employ more workers, so the government takes in more money. During a depression the amount of income tax revenue collected by the Federal government is likely to be: ☐ higher than before the depression ☐ lower than before the depression ☐ the same as before the depression During a year of increased business activity throughout the nation, the amount of income tax revenue collected by the Federal government is likely to be: ☐ increased ☐ decreased ☐ the same as the y ar before	lower than before the depression increased
37. Business activity is not the only factor that influences the amount of income tax revenue the Federal government takes in. The government itself can increase or decrease the amount of revenue from income taxes by changing the tax rates. Ordinarily the rates are changed very little from year to year. However, in special circumstances, the government needs more money. For example, during a war, additional funds are required for military supplies. In wartime, income tax rates are usually: ☐ higher ☐ lower ☐ about the same	higher

38.

In each pair, CHECK the condition that would result in the greatest revenue collection:

- ☐ peacetime
- ☐ wartime

wartime

- ☐ increased business activity
- ☐ decreased business activity

increased business activity

39.

You have learned about several types of taxes collected by our local, state and national governments. It may seem to you that there are too many such taxes, or that tax rates are too high. However, you should recall from previous lessons that our governments provide many services for United States citizens. These services cost money, and most of this money must come from the people, in the form of taxes. Our government has tried to make our taxation system as fair as possible, by applying the highest tax rates to those who can best afford to pay.

Time completed _____

YOU HAVE NOW FINISHED THE FIRST PART OF THIS LESSON. WRITE DOWN THE TIME. THEN, AFTER YOU HAVE REVIEWED THE MAIN IDEAS IN THE FOLLOWING SUMMARY, TAKE THE MASTERY TEST AT THE END OF THE BOOKLET.

REVENUE	Revenue is money collected by federal, state, or local governments for public use. This money is obtained mainly through the collection of taxes. Other sources of revenue are road tolls and court fines.
INCOME TAX	Income tax is a tax paid by individuals on wages earned and by corporations on the profits they make. It is the main source of tax revenue for the federal government.
PROGRESSIVE OR GRADUATED TAX	The amount of income tax paid people depends on the amount earned. People who earn more money pay an increasingly larger percentage of their income; that is, the more money individuals or corporations earn, the more taxes they pay.
PROPERTY TAX	A property tax is paid on certain valuable things people own, such as houses and cars. The amount paid depends upon the value of the property. Property taxes are the main source of revenue for local governments.
SALES TAX	A sales tax is paid on products purchased. Groceries are not usually taxed. This tax is the main source of revenue for state governments.
INHERITANCE TAX	An inheritance tax is paid on money that has been inherited. (To inherit means to be left money or valuable objects by someone who has died.)
POLL TAX	A poll tax is paid by citizens of voting age. (A poll is the place to vote.) This tax is used to help pay the costs of elections.

MASTERY TEST

Time started _____

1. What is the principal source of revenue for the Federal government?

   a. ☐ court fines

   b. ☐ income taxes

   c. ☐ poll taxes

   d. ☐ road tolls

   e. ☐ sales taxes

2. What is the principal source of revenue for state governments?

   a. ☐ federal loans

   b. ☐ inheritance taxes

   c. ☐ poll taxes

   d. ☐ property taxes

   e. ☐ state income taxes

   f. ☐ state sales taxes

3. A progressive or graduated income tax would be <u>most strongly opposed</u> by:

   a. ☐ factory workers

   b. ☐ farmers

   c. ☐ labor unions

   d. ☐ owners of large businesses

   e. ☐ people who are unemployed

4. A graduated tax reflects the principle that:

   a. ☐ all taxpayers should pay the same amount of taxes

   b. ☐ all workers should take home the same amount of pay, after taxes

   c. ☐ people with higher incomes should pay less than people with low incomes

   d. ☐ the higher a taxpayer's earnings, the higher his tax rate should be taxed

5. Suppose that the Federal government keeps the same tax rates over a period of several years. Which of the following best describes the amount of revenue that will be collected by the goverment during those years?

   a. ☐ It will decrease steadily, forcing the government to raise the tax rates.

   b. ☐ It will increase steadily, because the population is increasing.

   c. ☐ It will remain exactly the same every year.

   d. ☐ It will vary from year to year, depending on business activity.

6. MATCH the following:

A. a tax applied to a person's salary	1. _____ income tax
B. a tax applied to goods purchased	2. _____ inheritance tax
C. a tax on a person's possessions	3. _____ poll tax
D. a tax on property left to someone by a person who has died	4. _____ property tax
E. a tax on the profits of a corporation	5. _____ sales tax
F. in some states, a fee charged to all citizens of voting age	
G. revenue collected for the purpose of helping to pay election costs	

Time completed_____

WHEN YOU HAVE FINISHED THIS TEST, WRITE DOWN THE TIME. THEN TAKE THE LESSON TO YOUR INSTRUCTOR OR HIS ASSISTANT FOR CHECKING. WAIT UNTIL THE LESSON IS APPROVED BEFORE GOING ON TO THE NEXT LESSON.

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* U. S. GOVERNMENT PRINTING OFFICE : 1970 O - 363-688